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UNDP integrated resources plan and integrated budget estimates, 2018-2021

Report of the Administrator

The present document forms an integral complement to the UNDP Strategic Plan, 2018-2021 (DP/2017/38). The integrated resources plan and the integrated budget set out the estimated financial resources for the Strategic Plan, covering both regular (core) and other (non-core) resources for 2018-2021. The integrated resources plan includes regular and other resources, and it encompasses the integrated budget estimates, which cover regular resources only. These estimates are presented in line with the harmonized approach agreed by UNDP, UNFPA, the United Nations Children's Fund (UNICEF) and UN-Women.

The overarching objective of this budget proposal is for UNDP to ensure its financial sustainability with respect to the institutional component; achieve a better equilibrium between regular and other resources; and increase its productivity over time. The new Strategic Plan presents a compelling case for investing in UNDP. With over 50 years of experience working in more than 170 countries and territories, UNDP has extensive global reach to continue its work of tackling complex development challenges, working collaboratively with our partners. UNDP seeks to build on these strengths to increase the impact of programmes using the resources it is entrusted with and contribute to the 2030 Agenda for Sustainable Development. Programmes are carefully formulated, executed, monitored and evaluated by expert staff, and lessons learned applied, as appropriate, to maximize the impact achieved. The independently audited UNDP financial statements consistently show that over 88 cents of every dollar of expenditure goes to programmes and services to achieve development results, a ratio which will increase to 91 cents per dollar of expenditure over the next four years. UNDP is committed to keeping management costs low, with further reductions planned to continue to increase funding to programmes. The impact of this expenditure is multiplied many times over, as UNDP investments attract additional funding to development activities from other sources. UNDP will expand the wide range of partners it works with, including programme country governments, the United Nations system, non-governmental organizations, the private sector and civil society organizations, to achieve these results.

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All UNDP funding is voluntary. To deliver the Strategic Plan, 2018-2021, the total estimated revenue in the integrated resources plan is $22.7 billion. This represents a modest annual growth of 5 per cent, with changes to the mix of funding towards more pooled funding, joint programming and broader partnerships with international financial institutions and the private sector, and transition from heavily earmarked funding to less earmarked funding, creating more agility to respond to development and crisis situations. Available resources for the four-year period, including balances carried forward, amount to $25.8 billion, with an estimated proposed expenditure of $24 billion over the same period and estimated multi-year programme balances, carried forward, of $1.8 billion. Of the $25.8 billion proposed for 2018-2021, UNDP plans to channel $21.75 billion, or 91 per cent of both regular and other resources, to development activities (programmes), 3 per cent higher than during 2014-2017. From the total resources available for programmes, $21.75 billion, UNDP proposes a budget of $1.92 billion from regular resources, and $19.83 billion from other resources, for development activities (programme) during 2018-2021.UNDP proposes the institutional component of the integrated resources plan of $2.73 billion, with $1.09 billion from regular resources and $1.62 billion from other resources, derived from cost recovery. UNDP values its partnership with the United Nations Office for South-South Cooperation (UNOSSC), the United Nations Capital Development Fund (UNCDF) and the United Nations Volunteers programme (UNV), and proposes to maintain regular resources funding at the same level as actual allocations for 2014-2017, based on projected regular resources contributions for the integrated budget, 2018-2021.

The transformation of the UNDP business model, by improving ways of working and strengthening capacities to provide integrated services, will increase productivity, efficiency and effectiveness while exerting a healthy pressure on the organization to be more efficient.

This integrated resources plan and integrated budget proposal will be presented to the Advisory Committee on Administrative and Budgetary Questions, whose report will be shared with the Executive Board.

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Annex B. Methodology and additional information (available on the Executive Board web page)

I. Strategic context

1. The Strategic Plan, 2018-2021 (DP/2017/38), sets out a vision for the evolution of UNDP over the next four years, responding to a changing development landscape and the evolving needs of our partners. It describes how we will support countries in achieving the 2030 Agenda and the sustainable development goals, as well as other commitments agreed by United Nations Member States.

2. The Plan reinforces our commitment to working in partnership with Governments, civil society and the private sector as a catalyst and facilitator of support from the United Nations System, as mandated by the quadrennial comprehensive policy review.

3. The Strategic Plan answers two questions: (a) what we want UNDP to be; and (b) what we want to achieve.

(a) By 2021, we want UNDP to be:

(i) more **nimble**, **innovative** and **enterprising** – a **thought leader** that succeeds in **taking and managing risks**;

(ii) a **trusted partner** in a complex and evolving development landscape, remaining committed to **our mandate to reduce poverty**; and

(iii) more **effective and efficient** with the resources entrusted to us.

(b) By 2021, we want to catalyse tangible progress on:

(i) **eradicating poverty in all its forms** – and keeping people out of poverty;

(ii) **accelerating structural transformations for sustainable development**, especially through innovative solutions that have multiplier effects across the sustainable development goals;

(iii) **building resilience** to crises and shocks to safeguard development gains.

4. The Strategic Plan is not intended to be exhaustive or prescriptive. It outlines our future trajectory while maintaining flexibility to respond to emerging country needs. It proposes a bold transformation for UNDP because the sustainable development goals are bold – and because we believe UNDP can meet this level of ambition based on our decades of experience, deep country partnerships, and the dedicated, professional and innovative people who are our greatest asset.

5. The present document presents the UNDP integrated resources plan and integrated budget estimates, 2018-2021.They are integral components of the UNDP Strategic Plan, 2018-2021(DP/2017/38), and should be considered in conjunction with the Strategic Plan and its annexes.

6. The Strategic Plan informs the integrated resources plan, which encompasses the integrated budget estimates and funds the Strategic Plan.

II. Why partners should invest in UNDP

7. Funding partners should continue to invest in UNDP for the following reasons:

(a) UNDP is a strong and trusted partner in achieving development results, as confirmed by the evaluation reports by the Independent Evaluation Office[1].

[1] The evaluation report of the Strategic Plan, 2014-2017 (DP/2017/32), by the Independent Evaluation Office highlighted some key results achieved by UNDP demonstrating that investing in UNDP yielded tangible benefits.

UNDP used the lessons from programme and project implementation, results and performance factor analysis, as well as audit and evaluation findings, in formulating this document.

(b) In pursuing and delivering measurable development impact, UNDP uses its assets and strengths to achieve results. UNDP offers services globally to support the operational backbone of the United Nations system and will provide country support platforms and global advisory and implementation services platforms to support the implementation of the sustainable development goals. In addition to the support platforms, UNDP will enhance thought leadership, innovation and assurance, and will leverage finance for the goals (see paragraph 50, and figure 4, for further details).

(c) The governance mechanisms and the accountability framework ensure that funds are administered with appropriate fiduciary accountability, which has resulted in 12 years of unqualified (clean) audit opinions for the organization. UNDP learns from and implements recommendations of the independent oversight bodies, continuously driving improvements. UNDP retained its top ranking in the 'Publish What You Fund' aid transparency index for the second consecutive year, by increasing the quality and quantity of its project results, financial data and documents published in 2016.

(d) UNDP will leverage its funding base to help governments access financing[2] to achieve the sustainable development goals. For every $1 of programmatic regular resources, UNDP can mobilize between $6 and $30 in other resources, which demonstrates the multiplier impact of regular resources. With the support of funding partners, UNDP will seek to change the mix and quality of resources, transitioning from heavily earmarked funding to a level of less earmarked funding, providing more agility to respond to development and crisis situations.

(e) Recognizing the changing development arena, UNDP will expand its catalogue of financial instruments to help programme countries access development finance opportunities and to provide partners with different modalities for investing in the 2030 Agenda.

(f) With a programme presence in around 170 countries and territories, UNDP has the largest operational platform in the United Nations family, providing an ample range and volume of services to the entire system. Steady improvement in operational efficiency will allow UNDP to strengthen its client orientation and offer better integrated operational support to other organizations, especially non-resident partners.

(g) UNDP is a lean organization that demonstrated efficiency and effectiveness over the 2014-2017 period. In 2018-2021, UNDP will strive for even greater productivity, efficiency and effectiveness, and an improvement in the management efficiency ratio.

III. Integrated resources plan

A. Introduction

8. This chapter provides information on: (a) the review of the financial performance of the first four-year integrated resources plan and integrated budget, 2014-2017; (b) lessons learned; and (c) the proposed integrated resources plan,

[2] UNDP will support governments in creating new modalities for fostering partnerships with the private sector to finance the sustainable development goals.

2018-2021, which includes key features, resources available (income) and use of resources (expenditure).

9. This document is premised on UNDP financial regulations and rules and relevant Executive Board decisions, and is informed by the quadrennial comprehensive policy review and recommendations in the independent evaluation of the Strategic Plan, 2014-2017 (DP/2017/32), as appropriate. The presentation of budgetary information uses the cost-classification categories and cost-recovery methodologies (decision 2010/32) and approaches to cost attribution (decisions 2012/27 and 2013/9) approved by the Executive Board.

10. The integrated budget (regular resources), as approved by the Executive Board, is part of the integrated resources plan, which includes both regular resources and other resources.

11. There will be a midterm review of the core integrated budget, in conjunction with a review of the Strategic Plan, in June 2019, similar to that of the 2014-2017 period. The review will provide an opportunity to reflect on Member States' decisions, including on the Secretary General's report, concerning broader United Nations reform issues. Joint work of UNFPA, UNICEF, and UN-Women on cost recovery will also be discussed at the annual session of the Executive Board in June, 2018.

Review of financial performance, 2014-2017

12. Actual financial performance against the integrated resources plan, 2014-2017, is highlighted in annex A, table 1b.

13. UNDP is a multi-funded organization. Total contributions were $18,278 million in 2014-2017, including $2,715 million in regular resources, and $15,563 million in other resources. Subparagraphs (a)(i)-(iii), below, provide an overview of the resources allocated in 2014-2017 by country typology – low-income and middle-income countries, and middle-income countries with per capita gross national income (GNI) above $6,660 – to eligible programme countries and net contributor countries, in line with Executive Board decisions 2012/28, 2013/28, 2013/30. The key points, presented in detail in annex A, table 3, are as follows:

(a) With respect to the regular resources, the low- and middle-income countries were allocated $1,842 million ($1,305 million programmatic – TRAC[3]-1 and other programmatic resources – and $536 million institutional). This was broken down as follows:

(i) Low-income countries received a large proportion of both programmatic and institutional resources: 86 per cent ($1,121 million) out of programmatic resources, and 55 per cent ($294 million) out of institutional resources.

(ii) Middle-income countries with per capita GNI below $6,660 received 12 per cent ($161 million) out of programmatic resources and 37 per cent ($201 million) out of institutional resources.

(iii) Middle-income countries with per capita GNI above $6,660 received 2 per cent ($23 million) out of programmatic and 8 per cent ($42 million) out of institutional resources ($42 million). This is in compliance with decisions 2012/28 (programming arrangements) and 2013/30 (funding of differentiated physical presence). The details are set out in annex B, section IV.

(iv) Net contributor countries received neither core programmatic nor institutional resources (excluding the cost of the resident coordinator/resident

[3] Target for resources assignment from the core.

representative, which is included in UNDP support to the backbone to the United Nations coordination activities).

(b) The regular resources provided to low- and middle-income countries in 2014-2017 helped to leverage other resources, which in turn supplemented regular resources in delivering development results through multi-funded programmes. Other resources of $13,659 million were received from bilateral, multilateral and programme country government partners. Low-income countries received 55 per cent, or $7,527 million. In contrast, middle-income countries with per capita GNI below $6,660 received 29 per cent, or $3,992 million, while middle-income countries with per capita GNI above $6,660 received 14 per cent, or $1,905 million. The balance of 2 per cent, or $235 million, was received by net contributor countries.

(c) It is important to note the contributions of programme countries in funding UNDP local presence through government local office costs contributions (cash, totalling $102 million, and in-kind, totalling $33 million) for low- and middle-income countries, and contributions to such costs from middle-income countries with per capita GNI above $6,660 and from net contributor countries (totalling $52 million). Annex B, sections IV (Government local office costs contributions) and V (Funding of differentiated physical presence) set out the relevant details. The contributions from programme countries constitute sources of funding of institutional resources.

Lessons learned from implementation of the integrated budget, 2014-2017

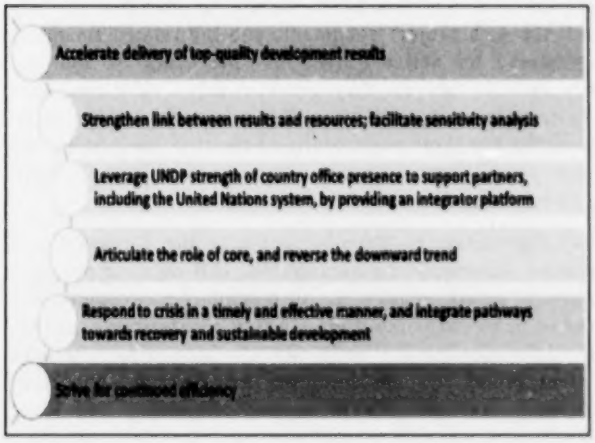
14. In its decision 2016/10 the Executive Board requested UNDP, in consultation with UNFPA, UNICEF, and UN-Women, as appropriate, to incorporate lessons learned from the integrated budget, 2014-2017, into the preparation of the integrated budget estimates, 2018-2021.

15. Lessons learned from the implementation of the integrated budget are included in annex B, section Ib.

B. Proposed integrated resources plan, 2018-2021

Objectives

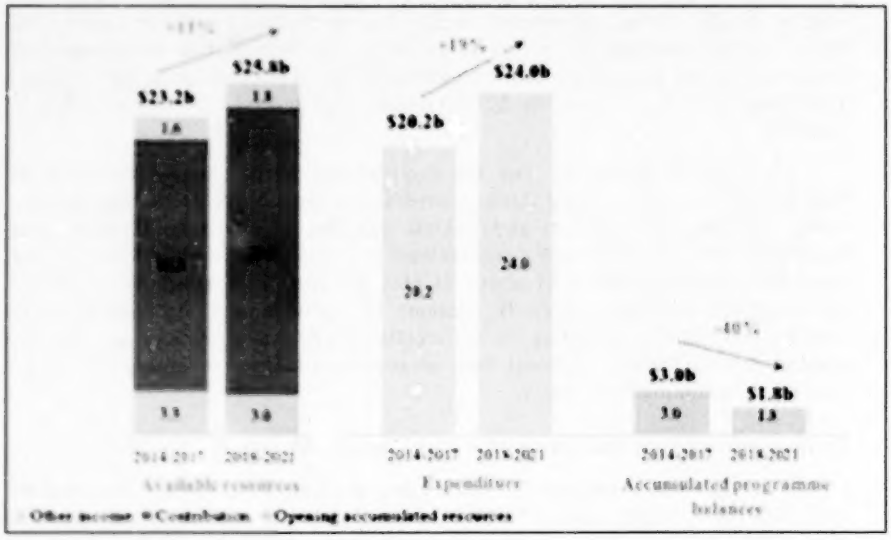
16. Objectives of the integrated resources plan (and of the integrated budget estimates) 2018-2021, are as follows:


Accelerate delivery of top-quality development results
Strengthen link between results and resources; facilitate sensitivity analysis
Leverage UNDP strength of country office presence to support partners, including the United Nations system, by providing an integrator platform
Articulate the role of core, and reverse the downward trend
Respond to crisis in a timely and effective manner, and integrate pathways towards recovery and sustainable development
Strive for continued efficiency

Key features of the integrated resources plan and the integrated budget estimates, 2018–2021

17. An overview of the key features of the integrated resources plan, 2018-2021, is presented in figure 1, below.

Figure 1. Key features of the integrated resources plan, 2018-2021



18. UNDP proposes an 11 per cent growth in available resources, including an annualized growth in contributions of 5 per cent for 2018-2021 (see annex A, figure 1b). That growth is expected to result in available total resources of $25.8 billion. Likewise, total expenditure is estimated at $24 billion for the same period. The $24 billion constitutes an overall increase in expenditure of 19 per cent compared to the 2014-2017 period, leaving a balance of $1.8 billion, by the end of 2021, in resources available for multi-year projects. All expenditures, including draw-downs from accumulated programme resources balances, are incurred in line with the UNDP regulatory framework and, where applicable, relevant funding agreements. The $1.8 billion balance covers accumulated programme resources balances received and programmed for delivery beyond 2021. Accumulated programme resources balances are highly earmarked project funds, are not fungible (that is, they must be delivered in accordance with project documents and the related financing agreements), and are programmed for delivery over multiple years (so that the resources are not necessarily spent in the year they are received). UNDP continues to seek opportunities to accelerate the earlier delivery of development results and to further draw down the accumulated programme resources balances, considering the programme cycle, multi-year programmes, the donor agreement and the UNDP regulatory and governance framework.

19. The increase in overall expenditure on development activities (programmes) through the 'signature solutions' described in paragraph 42, will catalyse progress on eradicating poverty, structural transformation for sustainable development, and resilience-building. This will be achieved without growth in the institutional budget by reducing resources planned for management activities. The cost of management activities includes management, policy, systems and tools infrastructure supporting development and organizational services. UNDP is not requesting additional

institutional funding to implement its solutions and platforms; recurring expenditure will be covered within the envelope of funds requested.

20. The increase in development activities expenditure is underpinned by an increase in the proportion of total resources for both regular and other resources allocated to the programmatic component of the proposed integrated resources plan, from 88 per cent in 2014-2017 to 91 per cent in 2018-2021 period. For every $1 of resources expended, 91 cents is allocated to the programmatic components and the rest to the institutional budget (see figure 2).

21. UNDP proposes to continue leveraging regular resources in support of countries eligible to participate in the programming arrangements by increasing the proportion of regular resources allocated to development activities (programmes) and reducing the institutional component of the integrated budget. The increase in the proportion will be implemented annually over the 4-year period to achieve a split of 63 per cent programme component and 37 percent institutional component in the integrated budget (see figure 5).

22. The proposed allocation to United Nations coordination has been adjusted for inflation and increased by $25 million. UNDP has maintained allocations for the functions of the Office of Audit and Investigations, the Ethics Office, UNCDF, UNOSSC, and UNV. In line with the evaluation policy approved by the Executive Board, UNDP proposes to allocate 0.2 per cent of the estimated combined programmatic resources (regular and other) for the functions of the Independent Evaluation Office, which increases the estimated allocation by $7 million compared to 2014-2017. No other recurring institutional activities have been increased. The impact has been on the rest of the recurring management activities, which have taken the largest portion of the reduction in resources as reflected in annex A, table 1.

23. At the same time, to kick-start that reduction and as part of the commitment to transforming the UNDP business model, a one-time provision for strategic investment in the non-recurring management activities component of the integrated budget, 2018-2021, is proposed to support accelerated delivery of top-quality programmatic results for the sustainable development goals. Two streams of work are proposed to accelerate this delivery, namely, the business model performance stream and the business model innovation stream (paragraph 38(d) provides details).

Resources available (income)

24. Based on the funding outlook, UNDP estimates total available resources of $25,784 million for funding the Strategic Plan, 2018-2021, representing a $2,560 million increase (11 per cent) from $23,224 million in 2014-2017 (see annex A, figure 1a).

25. Estimated total contributions are $20,909 million for the period, an increase of $2,631 million (14 per cent) compared to $18,278 million in 2014-2017. These are comprised of $2,710 million in regular resources (2014-2017: $2,715 million), and $18,199 million in other resources (2014-2017: $15,563 million). Annual contribution estimates by major funding streams are provided in annex A, figure 1b.

26. The key priorities in resource mobilization are to stabilize and reverse the declining trend in regular resources, in line with the ambition of the 2030 Agenda, the quadrennial comprehensive policy review, the Strategic Plan, 2018-2021, and the role of UNDP in the United Nations system, by:

(a) changing the mix of non-core resources:

(i) advocating for an increase in pooled funds and joint programming for United Nations system-wide support to implement the sustainable development goals; and

(ii) advocating for more flexible non-core resources

(b) increasing access of countries to resources from vertical funds;

(c) increasing domestic resource mobilization across regions; and

(d) deepening and expanding partnerships with international financial institutions and the private sector.

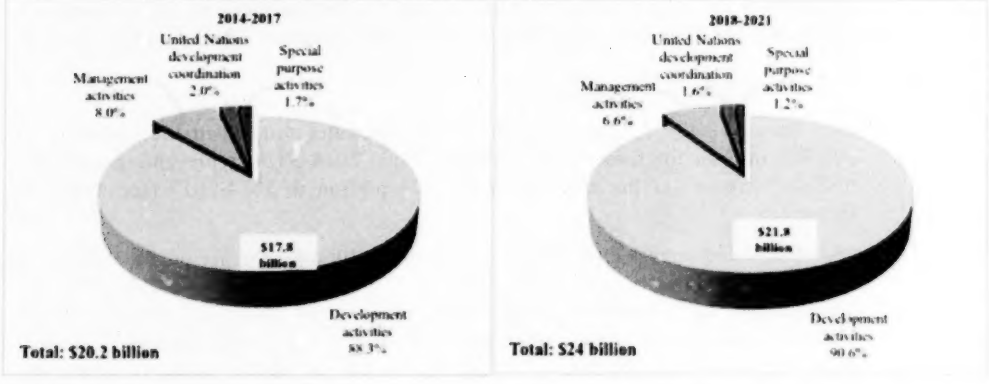
27. To help countries attain the sustainable development goals, and to remain a credible partner in mobilizing and operating with development resources in support of the Strategic Plan, UNDP will develop innovative financial instruments that will strengthen its role as a partner in the delivery of sustainable, measurable development results (see annex B, section 1c). Owing to the important role of UNCDF as a partner of UNDP, private sector resources and grants that focus on least developed countries will continue to be the portfolio of UNCDF. UNDP will focus its use of financial instruments on the non-least developed countries. Those financial instruments will simply add to the present UNDP set, deepening relationships with existing partners and developing relationships with new partners. Implementing some instruments will require changes in the UNDP financial regulations and rules, which we will submit. We will leverage UNCDF expertise wherever applicable.

Use of resources (expenditure)

28. Total expenditure is estimated at $24,028 million, representing an increase of $3,838 million (19 per cent) from $20,190 million in 2014-2017 (see figure 2).

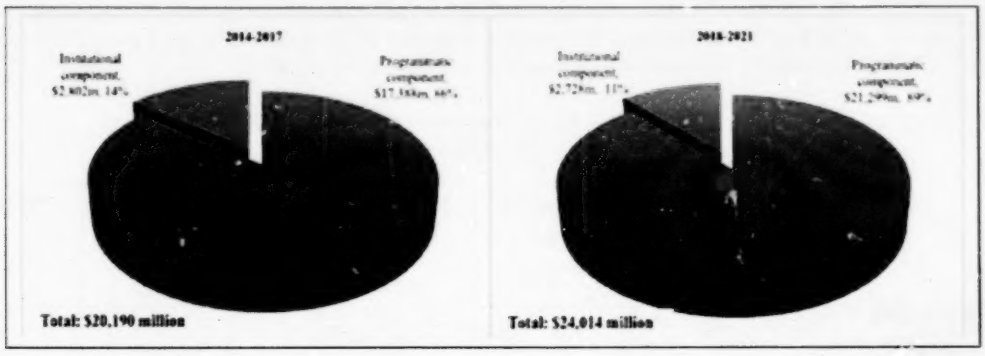
29. Figure 2 provides an overview of the estimated use of total resources in 2018-2021 as compared to 2014-2017, by cost classification.

Figure 2. Estimated use of total resources, 2014-2017, compared to 2018-2021



30. Programmatic components of the integrated resources plan amount to $21,299 million, representing an increase of $3,912 million (23 per cent) from $17,388 million in 2014-2017, as presented in figure 3, below.

Figure 3. Comparison of major categories of expenditure between 2014-2017 and 2018-2021



31. Institutional components of the integrated resources plan amount to $2,728 million, representing a decrease of $74 million (3 per cent) from $2,802 million in 2014-2017 over the four years of the plan, as shown in figure 3, above.

32. In conjunction with ongoing work on the new business models, UNDP will undertake activities to strengthen its efficiency and effectiveness, particularly in management and policy advisory services areas. UNDP will pursue cost efficiency and continuous improvement measures to achieve a balanced budget by the end of 2019. These time-bound activities will be complemented by other mid- and long-term actions on the business model, including the pursuit of innovative approaches. Cost efficiency measures include a decrease of rent expenditure through further consolidation of office premises in New York and potential space-sharing with other United Nations organizations. In the short term, UNDP will apply a measured approach to filling posts that become vacant through retirement. Recommendations 10, 11, 12 and 13 of the independent evaluation of the Strategic Plan (DP/2017/32) will inform a more flexible, partnership-oriented model for the organization.

33. In the area of continuous improvement, further vertical and horizontal consolidation of administration will reduce expenditure on UNDP back-office functions. More accurate costing of services provided by UNDP to the United Nations family will be established to ensure fair, transparent attribution of costs and appropriate levels of cost recovery. Thus, while total expenditure on administrative services will likely increase, the net costs attributable to UNDP should decrease through improved cost recovery for services. This is a broader discussion within the United Nations family, and in a best-case scenario benefits would be realized in 2019. The direct project cost recovery approach will be simplified in 2018 and applied with increasing rigour, including better target-setting, monitoring and results reporting at the regional and country levels. Business processes affecting project delivery – which in turn generates general management services cost recovery income for the organization – will be reviewed and streamlined during 2018 and 2019 to improve delivery rates.

34. Of the proposed $2,728 million in institutional expenditure, $957 million (35 per cent) would be funded from regular resources; $1,634 million (60 per cent) from cost recovery income related to other resources; and $137 million (5 per cent) from other income.

35. Within institutional expenditure, the proportion of institutional activities funded through cost recovery income is estimated to increase from 65 per cent in 2014-2017 to 67 per cent by end of 2021, with regular resources funding estimated

to decrease from 37 per cent in 2014-2017 to 32 per cent by end of 2021 (see annex A, figure 2).

36. Table 1, below, provides details of the estimated integrated resources plan, 2018-2021, including a comparison with that of 2014-2017, by cost classification category (a detailed table is provided in annex A, table 1a).

Table 1. Integrated resources plan, 2018-2021

(in millions of dollars)

	2014-2017 latest estimates					2018-2021 estimates				
	Regular resources	Other resources	Cost recovery	Total resources		Regular resources	Other resources	Cost recovery	Total resources	
I. Resources available										
Opening balance [a]	264.0	3,061.0	-	3,325.0		246.5	2,787.8	-	3,034.3	
Income and adjustments										
Contributions	2,715.2	15,562.3	-	18,277.5		2,710.0	18,199.0	-	20,909.0	
Other, including reimbursements for services to other United Nations organizations, and cost recovery [b]	172.7	-	1,448.8	1,621.5		137.1	-	1,704.2	1,841.2	
Total I. Resources available	3,151.9	18,623.3	1,448.8	23,224.0		3,093.5	20,986.8	1,704.2	25,784.4	
II. Estimated expenditures					% of Total					% of Total
A. Development activities										
1. Programme	1,600.3	15,569.2	-	17,169.5		1,633.4	19,409.6	-	21,043.0	
2. Development effectiveness	289.0	50.3	328.1	667.3		288.8	96.7	322.2	707.7	
Total A. Development activities	1,889.3	15,619.5	328.1	17,836.8	88.3%	1,922.2	19,506.3	322.2	21,750.7	90.6%
B. United Nations development coordination activities										
Total B. United Nations development coordination activities	368.4	29.8	-	398.2	2.0%	393.5	-	-	393.5	1.6%
C. Management activities										
C.1. Accounting (including Independent Evaluation Office, Office of Audit and Investigations and Ethics Office)	395.7	-	962.7	1,458.4		401.7	-	1,022.4	1,424.1	
C.2. Independent Evaluation Office	32.6	-	2.1	34.7		32.6	-	9.5	42.1	
C.3. Office of Audit and Investigations	50.7	-	25.4	76.1		50.7	-	18.8	69.5	
C.4. Ethics Office	3.6	-	-	3.6		3.6	-	-	3.6	
C.5. Additional recovering	582.6	-	998.2	1,572.8		488.6	-	1,050.7	1,539.2	
C.6. Non-recurring	4.4	-	30.5	35.3		28.0	-	-	28.0	
Total C. Management activities	587.0	-	1,021.0	1,608.1	8.0%	516.6	-	1,050.7	1,567.2	6.0%
D. Special purpose activities										
D.1. A special investments	6.2	-	35.1	41.3		-	-	29.9	29.9	
D.2. Non-UNDP operations - United Nations Volunteers	42.4	-	68.6	110.9		42.4	-	41.2	83.6	
D.3. Non-UNDP operations - United Nations Capital Development Fund	12.2	-		12.2		12.2	-		12.2	
D.4. Non-UNDP operations - services for United Nations partner organizations	-	-	182.2	182.2		-	-	190.4	190.4	
D.5. Advisory non-UNDP operations administered by UNDP	53.9	-	250.8	303.3		54.7	-	231.6	286.3	
Total D. Special purpose activities	68.7	-	285.9	346.6	1.7%	54.7	-	261.5	316.1	1.2%
E. Institutional components	1,167.2	-	1,615.0	2,802.2		1,093.9	-	1,634.4	2,728.3	
F. Programmatic components	1,738.3	15,649.3	-	17,387.5		1,793.0	19,506.3	-	21,299.3	
Total II. Estimated expenditures (I + II + III + IV)	2,905.5	11,847.0	1,615.0	20,189.8	100.0%	2,886.9	19,506.3	1,634.4	24,027.6	100.0%
III. Balance of resources	246.5	2,787.8	-	3,034.2		206.6	1,550.2	-	1,756.9	

[a] Opening balance reflects actual amounts recorded in the UNDP Financial Statements. Following the harmonized format for the integrated budget presentation, cost recovery balances are co-mingled with other resources balances.

[b] Includes government local office costs contributions ; income the United Nations Volunteers programme derives from providing volunteers to the United Nations organizations, an accounting linkage to off-set the costs of reimbursing income taxes paid by United Nations staff on their salaries; and interest, miscellaneous income and adjustments related to foreign exchange gain/loss, opening reserve increases/decreases, and miscellaneous expenditures.

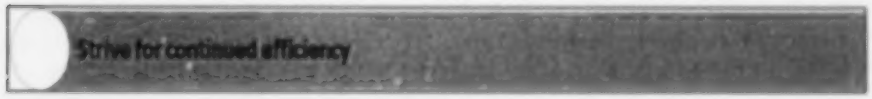
[c] Includes regular resources in 2018-2021 for the United Nations Office for South-South Cooperation budget of $26.2 million, comprised of $12.2 million (institutional budget) and $14.0 million (programmatic budget).

37. **Development activities**. The proposed $21,751 million expenditure increases the proportion of total resources utilized for development activities from 88 per cent to 91 per cent. This will be achieved by accelerating the delivery of top-quality development results by utilizing resources mobilized during 2018-2021, and drawing on accumulated programme balances of $3,034 million. This proposed increase in development activities is in line with the following objective of this integrated resources plan and the Strategic Plan, 2018-2021:

38. The $2,728 million in institutional activities include:

(a) **United Nations development coordination activities** of $330 million, reflecting a $25 million increase in regular resources allocation (8 per cent) from $305 million in 2014-2017. In 2014-2017, $30 million was funded from residual balances of other resources from prior years, provided to the Development Operations Coordination Office. In addition to the $330 million, $64 million for support to resident coordinator activities is proposed under the programmatic components of the integrated budget, the same amount allocated to those activities in 2014-2017.

(b) **Recurring management activities** of $1,424 million, representing a decrease of $34 million (2 per cent) from $1,458 million in 2014-2017. The management efficiency ratio would decrease from 8 per cent to 6.6 per cent, in line with the following objective of the integrated resources plan:



(c) Independent **oversight activities**: the proposed funding is $115 million. For the Office of Audit and Investigations and the Ethics Office, UNDP has maintained the proposed allocations at the same level as in 2014-2017. In line with the evaluation policy, approved by the Executive Board, UNDP proposes to allocate 0.2 percent of the estimated combined programmatic resources (regular and other) for the functions of the Independent Evaluation Office, which increases the estimated allocation by $7 million compared to 2014-2017. UNDP is committed to and greatly values the role of independent oversight functions in contributing to performance improvement.

(d) **Non-recurring management activities** of $28 million, representing a decrease of $7 million (20 per cent) from $35 million in 2014-2017. The proposed amount would finance one-time strategic initiatives for organizational effectiveness and efficiency. The amount would be utilized as follows:

(i) sourcing and scaling up innovations in business operations, instruments, and processes through innovation labs for cost effective delivery of sustainable development goals;

(ii) improving the policy advisory model through better knowledge management, more flexible structures, new partnerships, and improved staff capacity;

(iii) creating new modalities for private sector partnerships;

(iv) streamlining business processes; and

(v) aligning staff capacity to deliver the new Strategic Plan, including skills training.

(e) **Special purpose activities of $316 million,** representing a decrease of $30 million (9 per cent). For UNV and UNCDF, which are part of special purpose activities, UNDP is maintaining its level of support by dedicating the same amount of regular resources as allocated in 2014-2017 period. The majority of the $30 million decrease relates to reductions in capital investments and related expenditures.

39. The above development and institutional activities are presented in the integrated resources plan (table 1) in two broad components, namely, 'programmatic' and 'institutional', as in the integrated resources plan, 2014-2017. Development effectiveness activities (included in 'development activities', paragraph 37 are split between programmatic and institutional components of the integrated resources plan.

40. Details of the institutional expenditure planned for funding by regular resources are provided in the discussion of the institutional components of the integrated budget, 2018-2021 (chapter V).

41. Details on cost recovery income from other resources are provided in chapter VI.

IV. Integrated results and resources framework

42. Committed to the principles of universality and equity, the vision for the Strategic Plan, 2018-2021, is to help countries achieve the 2030 Agenda across diverse development situations. Three development outcomes demonstrate how UNDP will tailor a package of six 'signature solutions' to help eradicate poverty in all its forms, accelerate structural transformation for sustainable development, and build resilience to crises and shocks. The signature solutions capture proposed UNDP work across issues of poverty and inequality; effective, accountable and inclusive governance; prevention and recovery for resilient societies; nature-based solutions for a sustainable planet; the energy gap; and gender equality. Implementation will take place through a country support platform for the sustainable development goals and a global development advisory and implementation services platform, providing a basis for UNDP to work in partnership with governments, civil society and the private sector as a catalyst and facilitator of support from the United Nations System, and as broadly mandated by the quadrennial comprehensive policy review. This is reflected in the integrated results and resources framework that accompanies the Strategic Plan, 2018-2021.

43. The Strategic Plan, 2018-2021, states that the UNDP business model must improve continuously to enable it to respond more effectively to government requests vis-à-vis the 2030 Agenda and the sustainable development goals, and to deliver on the Strategic Plan itself. Organizational efficiency and effectiveness will be monitored to ensure that UNDP is fit for purpose in three main areas: (a) accelerated delivery of top-quality programmatic results, including development effectiveness support, based on evidence and implementing cross-cutting approaches, as well as evaluation and audit oversight functions; (b) efficiency and effectiveness of resource mobilization, management services, procurement and human resources; and (c) service arrangements for United Nations system-wide results, coordination and coherence to strengthen common United Nations system approaches; integrated delivery against the sustainable development goals; and the

functioning of the resident coordinator system. The identified areas for performance monitoring are consistent with General Assembly resolution 71/243 on the quadrennial comprehensive policy review, and with the evaluation of the UNDP Strategic Plan, 2014-2017.

44. Detailed information on the integrated results and resources framework is included in the annex to the Strategic Plan, 2018-2021. Two of the objectives of the integrated resources plan and the integrated budget, 2018-2021, are:

Strengthen link between results and resources, also facilitate sensitivity analysis

Leverage UNDP's strength of CO presence to support Partners including the UN system, by providing an integrator platform

V. Integrated budget (regular resources), 2018-2021

45. This chapter provides further details on the proposed integrated budget for 2018-2021, with details on the programmatic and institutional components proposed for funding from regular resources.

46. UNDP proposes a budget based on estimated a regular resources contribution estimate of $2,710 million; other income of $137 million; an opening regular resources balance of $246 million; and estimated expenditure of $2,887 million.

A. Key features and proposed changes

47. The proposals in the integrated budget, 2018-2021, are the same as the integrated budget, 2014-2017, except for the following features and proposals:

Features

(a) An increased proportion of core resources allocated towards development activities (programmes), which will gradually increase from year to year to a split of 65 per cent programme and 35 per cent institutional by 2021 (see annex A, figure 2);

(b) Fifty-nine per cent of the programme component of the resources are for TRAC-1. This represents shielded programme funding for country programme activities. Eighty-five percent of TRAC-1 is allocated to low-income countries, and 83 per cent to least developed countries[4]. Those allocations underline UNDP support to all programme countries, with continued strong focus on low-income and least developed countries (see annex A, table 4c);

(c) The integrated resources plan and integrated budget, 2018-2021, are prepared in compliance with the provisions of two key Executive Board decisions:

(i) decision 2012/28, which endorsed a system of biennial updates for graduation for middle-income countries with high levels of GNI per capita, and transitional net contributor countries, after a 2-year grace period; and

(ii) decision 2013/30, which endorsed a differentiated approach for the use of regular resource funding of UNDP physical presence in middle-income countries with per capita GNI above $6,660 (see annex B, section IV).

[4] Some least developed countries are low-income countries and some are middle-income countries.

(d) Maintaining support for the backbone of the United Nations development system coordination activities from regular resources;

(e) UNDP requests $517 million for management activities of the institutional component of the integrated budget. Included in this amount is a request for $49 million in additional regular resources, comprising $29 million in 2018 and $20 million in 2019. No requests for additional resources are anticipated for 2020 and 2021, and UNDP intends to use less than the $49 million (see paragraph 81); and

(f) Maintaining support for UNOSSC, UNV and UNCDF from regular resources, based on projected levels of regular resources contributions in the integrated budget, 2018-2021.

Proposed changes

(a) Consolidation of development effectiveness lines to align with the Strategic Plan, 2018-2021 (see paragraph 68);

(b) A risk-sharing approach to shielding programmatic lines in the event of fluctuations of regular resources levels (see paragraph 62);

(c) Disclosure of allocation of resources for oversight functions as separate lines in the integrated budget, maintaining the regular resources allocation for the functions of the Independent Evaluation Office, the Office of Audit and Investigations and the Ethics Office at the same level as 2014-2017 (refer to paragraph 38(c) and table 1 for allocations of other resources to these functions);

(d) In alignment with the principle of progressivity, and to meet the Executive Board-mandated 85 per cent-91 per cent range in the allocation of TRAC-1 to be allocated to low-income countries, additional support is provided to the least developed countries, all of them low-income countries. An extra 2.5 per cent ($5 million) allocation is provided to least developed countries compared to low-income countries that are not least developed countries (see annex A, table 4e);

(e) No growth in the institutional budget, underpinned with a reduction in management costs and a management efficiency ratio improved to an estimated 6.6 per cent over the 4-year period through transformation of the UNDP business model (see paragraphs 69 and 70); and

(f) Improved alignment of TRAC-2 with the new directions of the Strategic Plan, 2018-2021, in support of the 2030 Agenda (refer to paragraph 64 and 65).

B. The role of regular resources

48. The General Assembly resolution 71/243, as well as numerous decisions of the Executive Board[5], stress the importance of regular resources for UNDP, which remain the bedrock of the organization and constitute a pillar of support to the poorest countries. The ability of UNDP to support country implementation of the 2030 Agenda, and the Strategic Plan, depends on a sustainable funding base.

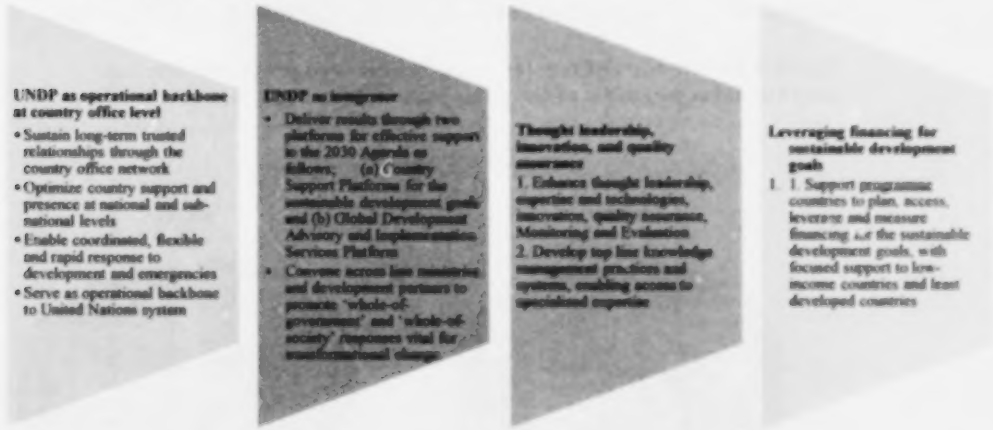
[5] Decisions 98/23, 99/1 and 9/23, reaffirmed in decisions 2002/9 and 2002/18, 2003/24, 2004/14, 2005/20, 2006/24, 2007/17, 2008/16, 2009/10, 2010/14, 2011/15, 2012/10, 2013/13, 2014/24, 2015/16, and 2016/16.

49. Taking into account Executive Board guidance in respect of a focused use of regular resources, UNDP has rearticulated the role of these resources in line with the following objective of the integrated resources plan and the integrated budget, 2018-2021:

Articulate the role of core and reverse the downward trend

50. Regular resources enable UNDP to leverage its key strengths to deliver on its Strategic Plan and contribute to the sustainable development goals through country-specific platforms that support integrated United Nations development solutions to complex, interconnected development challenges in the 2030 Agenda. The key strengths that will be leveraged through the focused use of regular resources are illustrated in figure 4, below.

Figure 4. Role of regular resources


UNDP as operational backbone at country office level
• Sustain long-term trusted relationships through the country office network
• Optimize country support and presence at national and sub-national levels
• Enable coordinated, flexible and rapid response to development and emergencies
• Serve as operational backbone to United Nations system
UNDP as integrator
• Deliver results through two platforms for effective support to the 2030 Agenda as follows: (a) Country Support Platforms for the sustainable development goals; and (b) Global Development Advisory and Implementation Services Platform
• Convene across line ministries and development partners to promote 'whole-of-government' and 'whole-of-society' responses vital for transformational change
Thought leadership, innovation, and quality assurance
1. Enhance thought leadership, expertise and technologies, innovation, quality assurance, Monitoring and Evaluation
2. Develop top line knowledge management practices and systems, enabling access to specialized expertise
Leveraging financing for sustainable development goals
1. 1. Support programme countries to plan, access, leverage and measure financing for the sustainable development goals, with focused support to low-income countries and least developed countries

51. Estimated regular resource contributions reflect a gradual growth in each year, rising modestly from $630 million to $700 million over the four-year period (see annex A, figure 1b).

52. In the event that actual contributions to regular resources in 2018-2021 fall below the planned level of $2,710 million, the ability of UNDP to deliver on its Strategic Plan and contribute to achievement of the sustainable development goals, as well as provide country-specific support platforms for integrated United Nations development solutions, would be significantly constrained. While all countries would be affected, the low-income countries that receive the majority of TRAC funding would be those most affected by the reduction in regular resources available for non-shielded lines, including TRAC-2, regional programmes, programmatic support to UNCDF, and lines for development effectiveness-related activities. In addition, some low-income and least developed countries have significant limitations in mobilizing other resources, so that a drop in regular resources severely undermines their efforts to eradicate poverty.

53. A decline in regular resources could also increase organizational risks for UNDP due to adverse effects on its institutional capacity for quality assurance, monitoring, accountability and oversight, particularly at the country level. In past years, reduced levels of regular resources contributions have resulted in reductions

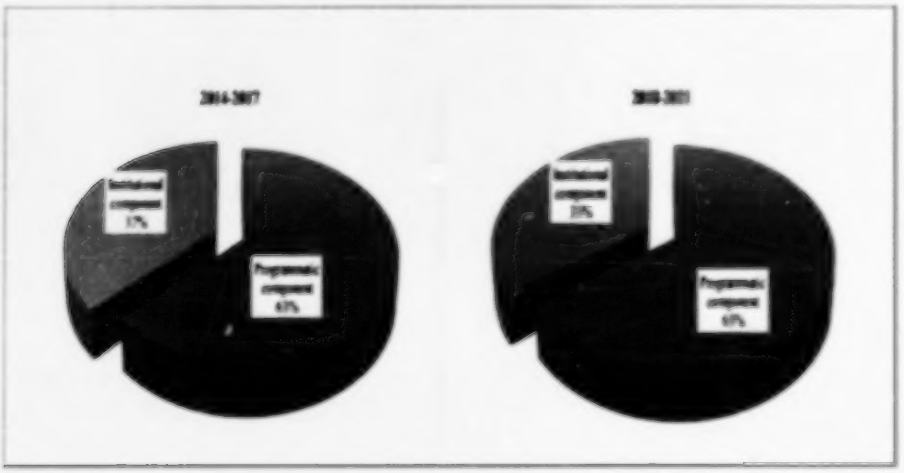
of posts for operations managers, national policy advisers and international staff providing support to programme planning, project management, implementation, monitoring, oversight and advocacy. It has also resulted in no new capital expenditure, with amounts allocated only for repairs and maintenance of existing capital assets. While the capacity of many country offices capacity was undermined due to a drop in regular resources, the impact was greatest in low-income and least developed countries with notable gaps in attracting and mobilizing other resources.

C. Programmatic components of the integrated budget, 2018-2021

54. Within this proposed total integrated budget of $2,887 million, the programmatic components amount to $1,793 million, representing an increase of $55 million (3 per cent) from $1,738 million in 2014-2017. The proportion of regular resources proposed for the programmatic components increases from 63 per cent in 2014-2017 to 65 per cent in 2018-2021 (see annex A, table 1a).

55. Figure 5 illustrates the planned distribution of regular resources between programmatic and institutional components of the integrated budget, 2018-2021.

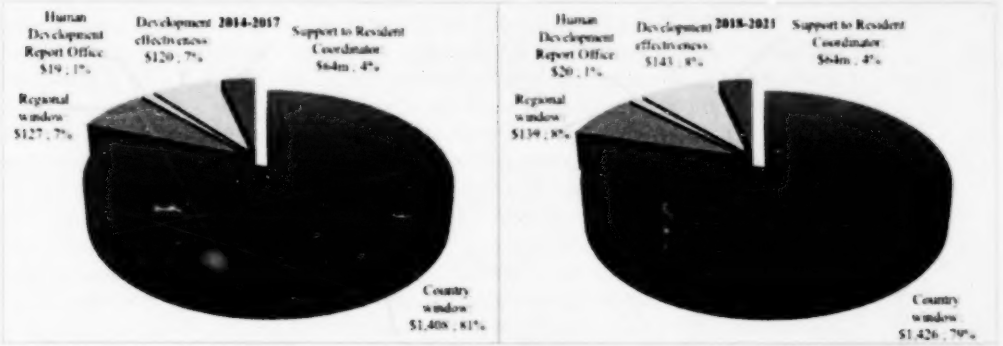
Figure 5. Distribution of regular resources between programmatic and institutional components of the integrated budget, 2018-2021



56. The programmatic components are underpinned by interrelated principles with respect to predictability, universality, and progressivity, reaffirmed by the Executive Board in its decision 2012/1. Predictability relates to the availability of sufficient regular resources to sustain the multilateral and universal character of UNDP. Universality ensures that UNDP development resources and activities are available to support all eligible countries; progressivity focuses the distribution of regular programme resources on low-income and least developed countries.

57. Figure 6, below, provides an overview of the proposed allocation of regular resources to programmatic components. Further details are contained in Annex A, tables 4a and 4b.

Figure 6. Allocation of regular resources to programmatic components, 2018-2021 and 2014-2017


Human Development Report Office $19 ; 1%
Development effectiveness $120 ; 7%
2014-2017
Support to Resident Coordinator $64m ; 4%
Regional windows $127 ; 7%
Country windows $1,408 ; 81%
Human Development Report Office $20 ; 1%
Development effectiveness $143 ; 8%
2018-2021
Support to Resident Coordinator $64m ; 4%
Regional windows $139 ; 8%
Country windows $1,426 ; 79%

58. Detailed descriptions of the programmatic components of the integrated budget are provided in annex B, section IIa.

59. Allocations of regular resources for country-level programme activities are made through the TRAC system. TRAC is a three-tiered system in which TRAC-1 and TRAC-2 resources are linked in a combined pool to support country programming, while TRAC-3 resources are made available through a separate pool to support crisis response. TRAC allocations form the financial foundation for UNDP programmatic presence on the ground.

60. The remaining programmatic components from regular resources are used to finance: (a) development effectiveness activities, which play a complementary role to country-level programme activities by providing quality assurance, thought leadership and innovation; and (b) the regional programmes, which provide support for inter-country cooperation in all five regions in response to development priorities and challenges.

61. Through decisions 2013/28 and 2013/4, five programmatic components are shielded, namely, TRAC-1, TRAC-3, support to the resident coordinator, South-South cooperation, and the Human Development Report Office. The shielding of TRAC-1 has provided a level of stability to programme countries receiving TRAC-1 resources.

62. Based on lessons learned during 2014-2017, UNDP proposes a more balanced approach by distributing risk across programmatic lines in the event of fluctuations of regular resources levels. A two-tier system is proposed, details of which are provided in annex B, section IIb.

63. The TRAC-2 resources will be aligned to effectively support the new directions of the Strategic Plan, 2018-2021 – namely, country-level platforms that support inter-agency collaboration to implement the sustainable development goals. The platforms are intended to facilitate the development of integrated solutions to challenges in implementing the 2030 Agenda. They will respond to growing demand for solutions to complex problems that require collaboration among a wide range of actors (United Nations, international financial institutions, academia, the private sector, civil society, and others), using a combination of partnership modalities such as South-South cooperation and joint programming, and offering better access to diverse sources of funding and financing[6]. By making integrated solutions more

[6] UNDP will support governments in creating new modalities to foster partnerships with the private sector to finance the sustainable development goals.

accessible, country platforms will contribute substantially to a 'joined-up' United Nations response to country development challenges, as framed in the United Nations Development Assistance Framework.

64. All TRAC-2 contributions will be allocated in line with the Executive Board decisions that allocate 85 to 91 per cent of resources to low-income countries and at least 60 per cent to least developed countries. Within those rules, TRAC-2 resources could be explicitly allocated as seed or incentive funding for the development of solutions that require multi-agency and multi-partner responses to address sustainable development goals bottlenecks and accelerators. TRAC-2 allocation criteria could be further developed to enable 'joined-up' analyses and assessments, build partnerships (not least with non-resident United Nations organizations and international financial institutions), leverage additional resources for country-level work to support national development priorities through national institutions, and promote innovation. That approach would represent an efficient and effective use of TRAC-2 resources to maximize impact on the ground, offering excellent value for money from core contributions to UNDP in line with the quadrennial comprehensive policy review, to achieve the sustainable development goals.

65. A portion of regular resources is channelled to programme through TRAC-3. The TRAC-3 line provides UNDP with the capacity to respond quickly and flexibly to the development needs of countries affected by conflicts and natural disasters. Frequent and severe natural disasters, and the challenge of conflict and armed violence in many developing countries, risk bringing significant damage to nations, lives and livelihoods. The strategic plan aims to refocus efforts, helping countries build resilience so that they can sustain their development gains despite external shocks. UNDP must be well positioned to analyse early warnings, advocate for and influence policies for crisis risk reduction and conflict prevention, and implement early recovery interventions as early as possible in the humanitarian phase.

66. With the erosion of its regular resources contributions, the ability of UNDP to engage in crisis contexts effectively, predictably and sustainably, is threatened. The TRAC-3 modality is the only core facility for immediate action in these contexts. It is a demand-driven mechanism that enables the organization to quickly bring policy advice, technical expertise, and catalytic programmatic funding to the country level for a comprehensive, coherent response.

67. TRAC-3 resources are used in conjunction with TRAC-1 and other resources. Provision of TRAC-3 resources, to provide a base for responding to crises in a timely and effective manner, is in line with the following objective of the integrated resources plan and the integrated budget, 2018-2021:

Respond to crisis in a timely and effective manner, and integrate pathways towards recovery and sustainable development

68. UNDP proposes the consolidation of five development effectiveness-related lines, namely, the Global Programme, development support services, the Economists' Programme, policy advisory services, and gender mainstreaming. Details of the consolidation are provided in annex B, section IIa.

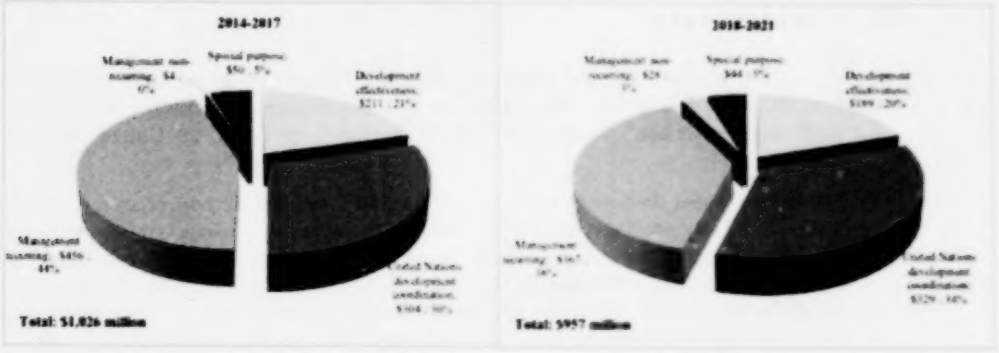
D. Institutional component of the integrated budget, 2018-2021

69. Within the proposed total integrated budget of $2,887 million, the institutional components amount to $957 million (net of $137 million financed from government local office costs contributions and other income), representing a decrease of

$69 million (6 per cent) from $1,026 million in 2014-2017 (see figure 7). The proportion of regular resources proposed for institutional components decreases from 37 per cent in 2014-2017 to 35 per cent in 2018-2021. The decrease in the proposed institutional budget is the result of (a) non-discretionary cost increases of $87 million; and (b) net volume decreases of $156 million (see annex A, table 5a).

70. Figure 7, below, provides an overview of the proposed institutional components of the integrated budget by cost classification category for 2018-2021, including a comparison with 2014-2017. Annex A, table 5b, provides information by category of expenditure.

Figure 7. Overview of the proposed institutional components of the integrated budget by cost classification category, 2018-2021, compared with 2014-2017



71. The proposal reflects an overall and deliberate reduction in the proportion of regular resources allocated to the institutional component of the integrated budget in favour of programmatic components.

72. It also reflects a broad rebalancing of resources within the institutional component of the integrated budget by decreasing the amounts allocated to recurring management activities, development effectiveness activities, and special purpose activities, and maintaining the amounts allocated to United Nations development coordination activities, independent oversight activities, and non-recurring management activities for strategic organizational effectiveness and efficiency initiatives.

73. The use of regular resources for the management activities included in the institutional components of the integrated budget would decrease by $90 million, while the resources for oversight activities would be maintained at the same level as those allocated in 2014 2017. UNDP proposes $28 million in strategic investments as non-recurring management expenditure (see paragraph 38(d) and annex A, table 1a).

74. Following prior practice, UNDP requests exceptional authority during 2018-2021 to disburse up to $30 million in regular resources for security measures, the use of which would be limited to new and emerging security mandates as defined in United Nations Department of Safety and Security directives. UNDP will report on these as and when they may occur.[7]

[7] During 2014-2015 $5 million was drawn from regular resources to respond to the outbreak of Ebola virus disease in West Africa. This was reported to the President of the Executive Board and disclosed in the annual review of the financial situation.

75. A summary of the main areas of increase and decrease in 2018-2021 compared to 2014-2017 is presented in annex A, table 5a.

E. Positions

76. The work on business models to align staff capacity for the delivery of the Strategic Plan, 2018-2021, including skills training, will determine the staff capacity required. As in 2014-2017, the integrated budget, 2018-2021, incorporates a strategy for financing personnel costs at grade P-5 and below in a manner that more accurately reflects the results framework (see annex B, section IIc). To contain costs, UNDP proposes remaining within the 2014-2017 integrated budget-approved number of D-1 and higher-graded positions (see annex A, table 5d).

VI. Cost recovery

77. Cost recovery income relates to (a) general management services charges on bilateral, multilateral and programme-country government resources, and (b) other cost recovery-related income for direct services provided to United Nations organizations.

78. The present document includes the estimated amounts of cost recovery for the 2018-2021 integrated resources plan. Table 1 presents the summary information on cost recovery, and table 6a, in annex A, provides detailed information on general management services income by funding stream for 2018-2021. The estimates are based on the current cost recovery methodology and cost-recovery rates approved by the Executive Board (decision 2013/9), noting that general management services-related cost recovery income is estimated based on expected programme delivery for 2018-2021.

79. In compliance with decision 2013/9 on cost-recovery and UNDP financial regulations and rules [regulation 5.07(d)], differentiated cost recovery rates are applied by UNDP as appropriate. Whereas UNDP costs are 8 cents to the dollar, based on the differentiated cost-recovery rates approved by the Executive Board, the effective average rate of cost recovery at present, of 6.5 cents to the dollar, is below that cost. Based on current legislation, the effective rate of cost recovery is estimated to increase to 6.6 cents on the dollar by the end of 2021.

80. As requested by the Executive Board, UNDP will reflect proposals to address the gap between the cost of doing business and the effective rate of cost recovery through interlinked and mutually reinforcing measures, including better attribution of costs to programmes and projects; costing methodologies that more accurately reflect the cost of providing services; continued striving for efficiencies; and reassessing cost-recovery.

81. In applying the Executive Board-approved cost recovery policy to the core programme resources for development activities of $1,729 million, the related cost recovery 'income' is $138 million for 2018-2021. In contrast, the total regular institutional budget for recurring management activities for 2018-2021 is $188 million. The $49 million difference would be funded from additional regular resources in 2018 and 2019, while necessary organizational adjustments are made through the business models initiative. UNDP requests $49 million in additional resources for the institutional budget of to cover management activities. UNDP intends, if possible, to use less than the $49 million by accelerating the implementation of certain phases of the business models initiatives. Amounts drawn from the funding will be reported separately to the Executive Board in the annual

review of the financial situation. The relevant details are presented in annex A, table 6b.

82. In accordance with decision 2017/11, UNDP, together with UNFPA, UN-Women and UNICEF will continue to consult with Member States on the cost-recovery policy and will present evidence-based proposals for harmonized cost-recovery policies, with adjustments, if required, for consideration by the respective Executive Boards at their annual session 2018.